

PRICE SCANNING INSPECTION PROGRAM

F A C T S H E E T No. 7

Periodic inspections of electronic price scanning systems are conducted in order to verify that prices charged at the checkout counter are the same as advertised prices or prices displayed on shelf tags. Electronic pricing systems utilize “bar codes” or Universal Product Codes (UPCs) that are read by price scanning equipment. Most grocery stores use PLU (Price Look-Up) codes to identify produce or deli items. During price scanning inspections, the selection of products for price checks is “randomized” by dividing the store into areas and picking an equal number from each area. The number of products checked is 25, 50 or 100 items depending on the size of the store. A store fails the inspection if there are more than 2% overcharges.

Year-by-Year Results: No-Overcharge Inspections & Failed Inspections		
Year / # of Inspections	No-Overcharge	Failed (>2% overcharges)
2000 / 170	44.0%	17.6%
2001 / 48	42.8%	12.2%
2002 / 35	44.7%	14.3%
2003 / 273	44.7%	11.0%
2004 / 289	58.5%	9.0%
2005 / 332	56.3%	8.1%
2006* / 371 (Jan.-Nov.)	44.7%	15.1%
<p><u>Source:</u> City of Seattle Price scanning inspection reports.</p> <p><u>Notes:</u> (1) No overcharges doesn't mean “no errors.” (2) Failed inspections means that there were more than 2% overcharges. (3) 2005: 41.0% no-error inspections; Jan-Nov/2006: 22.4% no-error. (4) Staffing issues affected inspections in 2001 and 2002. (5) 2006: Increase in percentage of failed inspections primarily due to enforcement emphasis on small stores new to price scanning.</p>		

Pricing Accuracy			
	U.S. 1998⁽¹⁾	Seattle 2005	Seattle 2006 (Jan.-Nov.)
Ave. Total Errors	3.36%	2.7%	4.2%
Ave. Undercharges	1.65%	1.6%	2.5%
Ave. Overcharges	1.70%	1.1%	1.7%
# of items inspected	107,096	20,219	24,994
Failed Inspections	28.8%	8.1%	15.1% ⁽²⁾
# of inspections	1,669	332	371
<p>(1)Source: FTC/NIST Price Check II: A Follow-Up Report on the Accuracy of Checkout Scanner Prices (12/16/98). Analysis of inspections in 36 states and the U.S. Virgin Islands.</p> <p>(2) 2006: Increase in percentage of failed inspections primarily due to enforcement emphasis on small stores new to price scanning.</p>			

Seattle and Spokane are the only two cities in Washington with their own price-scanning inspection programs. The Washington State Department of Agriculture monitors the rest of the state. The City of Seattle began conducting price scanning inspections in the 1990s. Initially, the emphasis was on large grocery stores, which pioneered the use of price scanning. Later, other large retail stores were added. During the past few years, price scanning systems have been installed even in small convenience stores. Currently in Seattle nearly 400 stores that use price scanning systems. Price scanning inspections are unannounced and are usually conducted annually.

Applicable Laws and Regulations:**Washington**

- Revised Code of Washington (RCW), Section 19.94.390 “Price not to be Misleading” [civil penalty \$1,000 – RCW 19.94.510]
- Washington Administrative Code (WAC), Section 16-662-105(3)(c) [adopts *Examination Procedures for Price Verification* contained in NIST Handbook 130]

Seattle

- Seattle Municipal Code (SMC), Section 7.04.505 “Misrepresentation of Price” [criminal misdemeanor \$200 fine or 3 mos. Imprisonment – SMC 7.04.690B]
- Seattle Municipal Code (SMC) Sections 7.04.145B and 7.04.645 [price scanning system standard and registration fees]

Applicable National Standards:**National Conference on Weights and Measures (NCWM)**

- NCWM Publication 19 *Examination Procedures for Price Verification* (August 1995) [also printed in National Institute of Standards and Technology (NIST) Handbook 130]

Web Sites: Consumer Affairs Unit www.seattle.gov/consumeraffairs
 Consumer Protection Roundtable (CPRT) www.seattle.gov/consumerprotection